

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**ALLEGATIONS INVOLVING THE
AMBULATORY DATA SYSTEM**

Report No. 97-049

December 17, 1996

Department of Defense

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**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884**



Report No. 97-049

December 17, 1996

**MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH
AFFAIRS)**

SUBJECT: Audit of Allegations Involving the Ambulatory Data System (Project
No. 6LF-0047.01)

Introduction

We are providing this report for your information and use. We performed the audit in response to allegations made in a complaint to the Defense Hotline. The audit was performed in conjunction with the audit of DoD health care cost accounting systems (Project No. 6LF-0047). The complainant stated that the Ambulatory Data System (the System) was not cost-effective, used inefficient diagnosis codes, and was acquired under fraudulent contracting procedures. The complainant also alleged that health care providers were not consulted during System development and that the System required more of the health care provider's time than similar civilian systems.

Audit Results

The audit did not substantiate the allegations. We concluded that the claimant did not fully understand the purpose of the System and the development process used to determine System requirements.

Audit Objectives

The objective was to determine the merits of allegations concerning the System made to the Defense Hotline. We did not assess the management controls over information system development and acquisition. We will discuss management control issues related to systems development and acquisition in the report on our audit of the Corporate Executive Information System.

Scope and Methodology

Interviews and Documentation Review. We interviewed personnel and reviewed System documentation at the Office of the Assistant Secretary of Defense (Health Affairs). At Madigan Army Medical Center, Fort Lewis, Washington, we interviewed health care providers and System operators and observed the use of the System. We also reviewed correspondence regarding System implementation at Naval Medical Center, Portsmouth, Virginia.

Documents reviewed were dated from FY 1994 through April 1996. We interviewed the complainant to obtain additional information and to discuss our results. We limited our review to issues related to the Hotline allegations.

Audit Period, Standards, and Locations. We performed this economy and efficiency audit from May 1996 through September 1996 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. We did not rely on any computer-processed data, statistical sampling procedures, or technical experts to perform the audit. We visited or contacted the Office of the Assistant Secretary of Defense (Health Affairs), Madigan Army Medical Center, and Naval Medical Center, Portsmouth.

Prior Audits and Other Reviews

There were no prior audits on the System.

Audit Background

The System was developed primarily to assist health care administrators in military treatment facilities in controlling the outpatient segment of managed care. It gathers patient-level data for each episode of care for later analysis. Information collected by the System includes patient clinical diagnosis, clinical treatment, demographic, and insurance data. In addition, the System generates comprehensive data for the use of third party collection offices, which submit health care claims for beneficiaries covered by private health insurance plans. The System also furnishes information that allows health care administrators to review outpatient work load by specific clinic and perform population-based analyses of resource consumption. As DoD health care moves into managed care, the decision to provide direct health care or to refer patients to civilian health care providers will be highly dependent on System information.

The System generates a preprinted patient encounter form for each outpatient clinic appointment. The form contains patient demographic and third party insurance billing information that was obtained from the Composite Health Care System. Health care providers annotate diagnosis and treatment codes by marking the appropriate block on the form. The completed form is scanned into the System, which creates a database of patient information that is used to generate standard reports or customized reports, as needed.

The Office of the Assistant Secretary of Defense (Health Affairs) developed the System, and the Military Departments are responsible for worldwide implementation. The System was installed at the complainant's location about 6 months before the complaint to the Hotline was filed. Worldwide installation of the System is scheduled to be completed during December 1996, at a cost of about \$121.7 million.

Discussion of Allegations and Audit Results

Allegation 1. The System was not cost-effective. The rise in third party collections does not appear to be worth the investment.

Audit Results. The allegation was not substantiated. The complainant provided us a cost-benefit analysis that compared System cost to the increased revenue derived from third party collections. The complainant's cost-benefit analysis considered only those benefits derived from the change in third party collections at the clinic to which he was assigned. Although the System does provide comprehensive data to third party collection systems, the primary reason for the system is to provide ambulatory data that health care administrators need for the DoD managed care initiative. The benefits of moving DoD into managed care cannot be easily quantified and were not considered in the complainant's analysis. The System works in association with other health care systems to provide the information needed to determine how effectively DoD costs compare with the civilian sector in providing ambulatory care.

Allegation 2. The System used inefficient diagnosis codes. Clinical retrospective use is limited because the System is based on the International Catalog of Diseases, 9th revision, Clinical Modification (ICD-9-CM) codes. This is contrary to the multiple retrospective uses promoted by the System installers.

Audit Results. The allegation was not substantiated. The Office of Civilian Health and Medical Program for the Uniformed Services requires civilian health care providers to submit standard diagnosis and treatment codes on claims for reimbursement. The standard diagnostic coding methodology is the ICD-9-CM. The codes were established to gather consistent statistical morbidity and mortality data that will be comparable around the world. The codes also provide the mechanism of consistent application of patient information on claims submitted for insurance reimbursement.

The complainant provided additional information on coding systems that may be more appropriate in describing the patient's condition. However, the clinically focused coding systems do not satisfy the administrative requirements of the System, specifically, a universally applied methodology that will allow comparability between military and civilian medical care.

Allegation 3. The System was apparently acquired under fraudulent contracting procedures. It is suspicious how an inferior product was accepted and put on an accelerated distribution profile before the System test site can be surveyed for its clinical effectiveness. Fielding an inferior product, coupled with the fact that these concerns are not being addressed, indicates contract fraud.

Audit Results. The allegation was not substantiated. Neither the complainant nor the audit identified specific fraudulent acts. Our discussion with the complainant disclosed that the allegation was based on the complainant's assumption that the System is clinically inferior to other available systems;

therefore, contract fraud must have occurred. The complainant's comparison of the System with clinically-oriented civilian systems was not valid. As discussed in Allegation 1, the System was designed primarily to support health care administrators, not the clinicians. Accordingly, the System is based on a coding methodology that promotes comparability of data and facilitates insurance claim processing, as discussed in Allegation 2.

Allegation 4. System design did not include the expertise of health care providers. Additional burdens on the clinician's already constrained time is not justified based on the limited clinical efficacy of the System.

Audit Results. The allegation was not substantiated. Health care providers were assigned to the functional working group that defined requirements for the System. The System does add an administrative requirement to the health care providers, but the added requirement is not significant. The development of customized encounter forms that preprinted the most commonly used codes for each clinic reduced the health care providers' involvement to a minimum. Administrative staff later hand-coded forms that were not preprinted with appropriate codes.

Allegation 5. The System requires more of the health care providers' time than similar civilian systems. Civilian providers do not fill out similar paperwork.

Audit Results. The allegation was not substantiated. As discussed under Allegation 4., the amount of time required of the health care provider is not significant. Civilian health care institutions gather similar diagnosis and treatment codes to process insurance claims for reimbursement. The mechanism used to collect the information can vary among institutions, and can include the health care provider checking off the proper codes on encounter forms.

Conclusion

We interviewed the complainant to obtain any additional information relevant to the allegations and to discuss the results of our audit. The complainant did not have a complete understanding of the administrative basis for the System; rather, the complainant was under the impression that the System primarily supported the clinician and the third party collection program. After discussing the System's purpose and the audit results, the complainant acknowledged that the Hotline allegations may not have been well-founded.

Management Comments

We provided a draft of this report to you on October 23, 1996. Because this report contains no findings or recommendations, comments were not required, and none were received. Therefore, we are publishing this report in final form. We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Michael A. Joseph, Audit

Program Director, or Mr. Sanford W. Tomlin, Audit Project Manager, at (757) 766-2703. The Enclosure lists the distribution of this report. The audit team members are listed inside the back cover.

A handwritten signature in black ink that reads "David Steensma". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

David K. Steensma
Deputy Assistant Inspector General
for Auditing

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Audit Team Members

This report was prepared by the Logistics Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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